

Message Text

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PAGE 01 LISBON 06430 201923Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SAM-01 OMB-01 AID-05 IO-13 AF-08

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

NSC-05 SS-15 STR-04 CEA-01 AGR-05 AGRE-00 FEA-01

INT-05 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01 NEA-10

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P R 201834Z SEP 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 8575

INFO AMEMBASSY BONN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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DEPARTMENT PASS TREASURY DEPARTMENT

E.O. 11652: N/A

TAGS: ECON, PO

SUBJECT: SOARES MEETS THE PRESS: COMMENTS ON ECONOMY

REF: A) LISBON 6203 B) LISBON 6329

1. PRIME MINISTER (PM) SOARES APPEARED ON NATIONWIDE TV SEPTEMBER 19 IN "MEET THE PRESS" TYPE FORUM TO DISCUSS AND CLARIFY POINTS MADE IN HIS SPETEMVER 9 ADDRESS. SOARES WAS QUESTIONED FOR 2-1/2 HOURS BY WELL-KNOWN REPRESENTATIVES OF THREE MAJOR, POLITICALLY-DISPARATE NEWSPAPERS. PROGRAM WAS DIVIDED INTO FOUR SEGMENTS - ECONOMY, AGRARIAN REFORM, LABOR AND GENERAL POLITICS.

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PAGE 02 LISBON 06430 201923Z

2. SOARES MADE THE FOLLOWING POINTS:

A. SOME ECONOMICALLY NONVIAIBLE FIRMS WILL BE ALLOWED TO GO INTO BANKRUPTCY, THUS REDUCING GOP SUBSIDIES FOR NON-PRODUCTIVE ENDS, E.G. SALARIES. FIRMS' SITUATION WILL BE STUDIED BEFORE BANKRUPTCY TO DETERMINE VIABILITY; MANAGERS, WITH FIRM GOP SUPPORT, WILL BE EXPECTED TO DO EVERYTHING POSSIBLE TO MAKE FIRMS VIABLE. IMCOMPETENT MANAGERS WILL BE REPLACED. PM JUSTIFIED THIS POLICY ON GROUNDS SUBSIDIES REPRESENT SACRIFICE FOR GENERAL POPULATION IN BENEFIT OF PRIVILEGED WORKERS IN INDUSTRIAL BELTS. HE ADDED THAT, NOTWITHSTANDING ABOVE, GOP WOULD NOT PERMIT CHAIN OF BANKRUPTCIES.

B. WORKERS HAVE RESPONSIBILITIES AND DUTIES IN ADDITION TO RIGHTS. GOP WILL ENLARGE GROUNDS FOR PERMITTING FIRING FOR JUST CAUSE. OTHER IMPORTANT MEASURES CONCERNING ABSENTEEISM, COLLECTIVE CONTRACTS, NATIONAL MINIMUM/MAXIMUM WORK HOURS, OVER-TIME REGULATIONS, ETC., ARE BEING DEVELOPED BY LABOR MINISTRY FOR PRESENTATION TO CONGRESS. NORMAL HIERARCHICAL RELATIONSHIPS BETWEEN MANAGERS AND WORKERS MUST BE OBSERVED. WORKERS AND MANAGERS NOT FULFILLING THEIR RESPONSIBILITIES WILL BE PUNISHED.

C. FUTURE FOREIGN LOANS MUST BE USED FOR INVESTMENT PURPOSES, NOT FOR CONSUMPTION AS IN PAST.

D. THERE WILL BE NO DEVALUATION. SUBJECT SHOULD NOT BE DISCUSSED BECAUSE IT BREEDS SPECULATION AGAINST ESCUDO.

E. RATIONING WILL BE NECESSARY IF PRODUCTIVITY AND PRODUCTION INCREASE. IF IT MUST BE INSTITUTED, THE SUPPLY OF ESSENTIAL GOODS WILL NOT BE ASSURED.

F. IMPORTS ARE BEING CONTAINED THROUGH QUANTITATIVE LIMITS ON SUCH ARTICLES AS AUTOMOBILES AND DOMESTIC APPLIANCES.

G. GOP HAS PROGRAM TO WIN NEW EXPORT MARKETS. IN ADDITION TO EUROPE, TARGET MARKETS ARE VENEZUELA, ANGOLA, MOZAMBIQUE AND COUNTRIES SUCH AS SENEGAL, MAURITANIA AND ALGERIA, WHICH COMMERCE MINISTER WILL VISIT IN OCTOBER.

H. RECENT ANNOUNCEMENT ON AGRICULTURAL CREDIT (SEE REFTTEL B) IS NOT COERCIVE EFFORT TO COLLECT LOAN REPAYMENTS. PROCEDURES IS NOTHING EXTRAORDINARY; IT REFLECTS LIMITED OFFICIAL USE

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PAGE 03 LISBON 06430 201923Z

NORMAL PROCESSES IN CREDIT TRANSACTIONS TO ALL OTHER SECTORS.

I. LEGAL DEFINITION AND REGULATION OF WORKER CONTROL IS RESPONSIBILITY OF ASSEMBLY. THE PS WILL SUBMIT DRAFT LEGISLATION TO THE ASSEMBLY.

J. ONE MEASURE TO REDUCE BUDGET DEFICIT WILL BE INCREASED WORKER CONTRIBUTION TO SOCIAL SECURITY FUNDS. PM GAVE ONE PERCENT INCREASE AS ILLUSTRATIVE FIGURE.

K. CONTRARY TO PRESS REPORTS, THERE IS NO DIVERGENCE WITHIN CABINET, EITHER AMONG MINISTERS (CURTO, SOUZA GOMES, OTHERS) OR BETWEEN MINISTERS AND SOARES. PM AND LOPES CORDOSO, FOR EXAMPLE, ARE FOLLOWING SAME AGRARIAN REFORM POLICY.

3. COMMENT: PM'S REMARKS WERE CONFIRMATION AND REINFORCEMENT OF SEPTEMBER 9 SPEECH. HE PARTICULARLY STRESSED IMPORTANCE OF PERMITTING BANKRUPTCY FOR NONVIABLE FIRMS, OF REINSTITUTING MANAGEMENT'S PEROGATIVES, AND OF RESTORING LABOR DISCIPLINE. COMMENTS ON LABOR DISCIPLINE WERE EVEN STRONGER AND MORE POINTED THAN IN SEPTEMBER 9 SPEECH. HE APPEARED PARTICULARLY KNOWLEDGEABLE AND IMPRESSIVE ON LABOR AND AGRARIAN MATTERS, BUT AVOIDED SEVERAL SPECIFIC QUESTIONS ON ECONOMIC PROGRAM.

4. PM AGAIN STRESSED THAT ECONOMIC SITUATION IS SERIOUS, BUT NOT HOPELESS. AT ONE POINT HE NOTED THAT NO MORE AUSTERITY MEASURES NEED TO BE TAKEN IF ECONOMIC HOUSE IS PUT BACK IN ORDER. HIS REMARKS, HOWEVER, WERE CLEARLY DESIGNED TO ESTABLISH RIGHT PSYCHOLOGICAL CLIMATE FOR LATER IMPLEMENTATION OF THOSE MEASURES ALREADY ANNOUNCED. MORE THAN EVER, HE CLEARLY MADE COMMITMENTS FOR WHICH HE CAN BE HELD ACCOUNTABLE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT REFORM, PRESS CONFERENCES, TELEVISION BROADCASTING, ECONOMIC PROGRAMS, SUBSIDIES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LISBON06430
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760355-0209
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760942/aaaabjnc.tel
Line Count: 140
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LISBON 6203, 76 LISBON 6329
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by BoyleJA>; APPROVED <06 APR 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SOARES MEETS THE PRESS: COMMENTS ON ECONOMY
TAGS: ECON, PO, (SOARES, MARIO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006